Statement of
Terry Jones
President, American Sugarbeet Growers Association
On behalf of the
U.S. Sugar Industry

United States House of Representatives
Committee on Agriculture
May 19, 2004

I am Terry Jones, a fifth-generation farmer from Powell, Wyoming. I am the President of the American Sugarbeet Growers Association, and speaking today on behalf of the growers and processors of the U.S. sugarbeet and sugar cane industries.

To truly understand our industry's views on free trade initiatives, there must be a clear understanding of the U.S. industry and market.

First, our industry is globally competitive. Two-thirds of the more than 100 countries that produce sugar produce it at a higher cost than the U.S. This is all the more impressive because most sugar-producing countries are developing-country cane producers, with much lower labor and environmental protection costs than the United States. Additionally, the dollar has soared by about two-thirds in the previous 20 years against the currencies of these countries.

Second, the domestic sugar industry has gone through a tremendous period of consolidation and restructuring. Nearly a third of all U.S. sugarbeet and sugarcane mills have closed since 1996, primarily because of low prices. Most of the U.S. sugar processing industry is now grower-owned. Thousands of family farmers like myself, with the help of our rural banks, have taken on substantial debt so we can own our factories. This is essential for our long-term viability and to sustain more than 146,000 jobs and an industry that generates more than $9.6 billion dollars per year. We must have a sound domestic policy and a fair and balanced trade policy to ensure that our returns from the marketplace are adequate to service, reduce and eliminate our debt load.

Owning our processing factories ensures our direct control over our entire business so that this important industry can be passed on to future generations. Historically, our farmers face low prices in other commodities, and losing a sugar industry and shifting millions of acres to those other commodities (dry beans, potatoes, etc.) further increases supplies and depresses prices, which hurts everyone.

Third, this Committee wisely designed a sugar policy in the 2002 farm bill to operate at no cost to the taxpayer and preserve scarce federal expenditures for the support of other important commodities. This is particularly important as our nation faces staggering budget deficits. U.S. sugar policy is based on controlling imports and domestic supplies, and maintaining current tariff rate quotas is the foundation of our policy.

Congress has given the Administration effective tools to run our program at no cost, and it is important that those tools be used in a timely fashion. Facing substantial surplus inventories currently overhanging the market, a united domestic industry implored the Administration, in a March 2nd letter, to immediately announce a smaller "overall allotment quantity" (OAQ) for FY2005. Our recommendation was soundly based on the USDA's Economic Research Service OAQ estimate of 7.69 million tons to balance the market. This would have allowed our industry to make timely adjustments in planting decisions for the 2004 crop. Unfortunately, USDA did not make an announcement, and our crop is now in the ground, increasing the likelihood of forfeitures this year and endangering the congressional "no cost" mandate. We strongly recommend to this Committee that you monitor this problem and support efforts by our industry to address it early next year.

Fourth, the U.S. nutritive sweetener market is saturated, with no signs of significant growth. In the past three years, consumption has declined (see Table 1), causing our industry to carry significant inventories.

Fifth, as a result of our WTO and NAFTA import obligations, the U.S. is the world's fourth-largest net sugar importer. Sugar from 41 countries enters virtually duty free.

We are an efficient, grower-owned industry, competing in a saturated and open market, while providing a variety of products to our customers at fair prices, and we do it all at no cost to the taxpayer. It is a record we are proud of, but trade agreements that harm our industry put that record in jeopardy.

The Global Problem

Sugar is the world's most distorted commodity market. Governments of the more than 120 sugar-producing countries intervene in their sugar market in some way. As a result, world market prices for sugar have averaged barely half the world average cost of production over the past two decades.

WTO

Sugar subsidies are a global problem, and examples abound (see Table 2). Brazil, the world's biggest producer and exporter, built its sugar industry on two decades of fuel alcohol subsidies, which became sugar subsidies, whether the Brazilian cane was used for alcohol or sugar. The government carefully controls sugar markets in India and China, the second- and third-largest producing countries. These practices, and many others, must be addressed globally in the WTO–in comprehensive, multilateral negotiations with all countries, all programs. We have long endorsed the goal of multilateral trade liberalization through the WTO. Our industry applauds Ambassador Zoellick's extraordinary efforts earlier this year to restart the WTO process.

While there are numerous issues that have to be watched very closely, there are three areas that must be addressed if we are to create a viable basis for liberalization and reform of the world sugar market.

1. Export subsidies and dumping. The identification and elimination of export subsidies--both transparent non-transparent--and dumping must be the first and most important priority. While we hope that negotiations will eliminate transparent export subsidies, dumping products at prices below the exporters' domestic market price must also stop. Dumping surplus production simply shifts the potential injury from the exporters' domestic market to certain injury of producers in foreign markets. Virtually every country that sells to the world sugar market is guilty of dumping. The policies that cause this rampant dumping need to be effectively addressed. We are deeply concerned that the WTO negotiations may not achieve this. We have presented detailed information to the Administration on such policies, and hope to work closely with them to ensure that foreign subsidies do not escape WTO disciplines.

2. Special and differential treatment for developing countries. Since seventy-five percent of world sugar production and exports is produced in and exported by developing countries, our industry strongly objects to allowing the vast majority of world sugar producers to play by a different set of rules. The top 20 developing countries, along with the EU and Australia, account for more than 91-percent of the world's exports. Those top 20 countries should not receive special treatment. If countries are going to play in the global sugar market, they have to play by equal rules. It is unconscionable to allow a country like Brazil, the biggest subsidized sugar producer and exporter in the world, to get special treatment.

3. Market access. Import tariffs under the tariff-rate quota import limits are the only remaining defense against unfair foreign predatory trade practices. WTO reductions in import tariffs, or increasing import volumes without effectively addressing foreign dumping, export subsidies, and domestic supports and many other trade-distorting practices, would destroy the U.S. sugar industry.

Regional and Bilateral FTAs

Piecemeal market access concessions in bilateral and regional free trade agreements will *not* help to solve the global sugar subsidy problem. Such concessions could, however, put the U.S. sugar industry out of business while foreign subsidies and other trade-distorting policies continue unabated.

The Bush Administration has rightfully refused to negotiate domestic farm policy in the FTAs. But the U.S. sugar policy is unique among commodity programs, in that it can only operate if imports and domestic production are controlled to balance the U.S. market. Therefore, negotiating tariffs or increasing imports is, in fact, negotiating our domestic policy. Such concessions are inconsistent with stated Administration policy and could doom our industry.

In the completed FTAs with net sugar importers--Singapore and Chile--and the pending FTA with Morocco, the Administration took precautions to ensure that sugar was not substituted or transshipped through these countries to circumvent their obligations or serve as “blending platforms” for third-country products. The same precautions must be taken in any future FTAs with net-importing countries.

We are most concerned with FTA negotiations with sugar-exporting countries. For this reason, we categorically oppose any agreement that requires additional access that would threaten our domestic policy. If our market needs more sugar than the amounts already required by the WTO and the NAFTA, we should import it from our FTA partners on an “as needed” basis.

In the Australia FTA, the Administration got it right. Sugar was excluded and over-quota tariffs were kept in place, with no required additional access. Australia is already the fourth-largest supplier to our market, with minimum imports valued at more than $40 million. If we need more imports, Australia will automatically get greater access as part of an expanded tariff rate quota. Australia also maintains the Queensland Sugar Corp., a monopolistic marketing entity that remains intact and must be addressed in the WTO negotiations. The Administration has completed what it calls a “state-of-the-art” FTA agreement, while reserving this most sensitive issue for the WTO negotiations.

Globally, there is ample precedent for excluding sugar market-access disciplines from FTAs. Sugar has been excluded from: 1) The U.S.-Canada FTA; 2) The Mercosur FTA, among Brazil, Argentina, Paraguay and Uruguay; 3) Mexico’s FTAs with other Latin American countries; and 4) The European Union’s FTAs with Mexico and with South Africa.

Our industry and market cannot rescue an Australian sugar industry that is suffering from the exponential expansion of Brazilian exports over the last decade. Brazilian exports are the single greatest factor driving the depression and ruination of the world sugar market. Let’s lay the blame where it properly belongs--on Brazil--and resolve these problems in the WTO, where they belong.

Serious Problem Areas

1. NAFTA. After ten years, the sweetener dispute rages between the U.S. and Mexico. Without a negotiated solution, there will be a continual exchange of political and legal challenges and threats of retaliation. A team of representatives from the U.S. sugar and corn and Mexican sugar industries has been working intensely to resolve this complex problem. We hope to provide the Administration with some agreed recommendations in the near future that will serve as a basis for resolving this dispute in an equitable way.

2. CAFTA+DR. We strongly oppose the sugar provisions in the Central American and the Dominican Republic free trade agreements. While the over-quota tariffs are left in place, 109,000 tons of additional access is forced into our market. The

Administration is attempting to dismiss this import concession as insignificant and inconsequential, but it is neither. Minimizing this additional access blatantly ignores the chain of devastating events it creates. It also either ignores or wrongly assumes that our sweetener trade problem with Mexico will remain unchanged, which is unacceptable to the sugar and corn sweetener industries.

The CAFTA+DR would be devastating to our industry. We assume that our current import obligations from the WTO and Mexico will be filled in the future. The total import obligation under those two agreements--1.532 million tons--is also the trigger for removing marketing allotments, and we expect CAFTA+DR imports to trigger them off.

If this occurs, 700,000 tons of domestic production currently blocked from sale would immediately become available to the market. Domestic prices would plunge, causing severe damage to producers and generating huge forfeitures to the government. Only four years ago, when our market was oversupplied by about half that amount (350,000 tons of sugar), market prices collapsed to twenty-five year lows, sending more than a million tons of sugar into government hands. It took three years and various emergency inventory liquidation actions by USDA to eventually clear government stocks. Both industry and government must make all efforts to avoid that situation again.

We refuse to allow the destruction of our industry just so that others can gain access to such a small economy. The combined gross domestic product of the CAFTA+DR is less than that of the metropolitan area of New Haven, Connecticut.

The sugar industry strongly objects to those who minimize or trivialize our industry. We don't view 146,000 agricultural, manufacturing and support industry jobs as insignificant. In rural America, we don't have other employment options. Sugarbeets or sugar cane are one of the most important crops in states where they are grown, usually providing hundreds of millions, and in some cases, billions, of dollars in economic impact to our struggling rural economies. It is also an important value-added alternative to competing crops already in surplus.

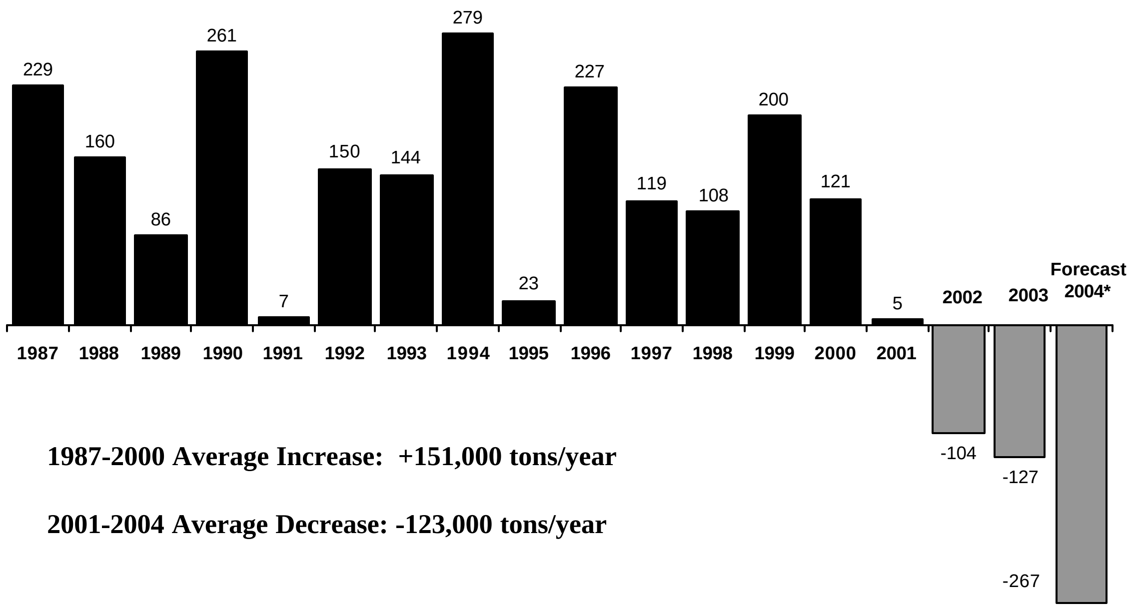
Aside from Australia, twenty-one countries that export 23 million tons of sugar per year--more than double the U.S. sugar consumption--are lined up for FTAs with the U.S (see Table 3). If we include sugar in these FTAs, our market would be swamped with subsidized foreign sugar, our industry would be destroyed, and we would not have addressed any foreign subsidies. Foreign subsidies can only be addressed in the WTO.

We are asking Congress to insist that the Administration concentrate its efforts on comprehensive trade liberalization for sugar in the WTO--not piecemeal in FTAs--and give efficient American sugar farmers a chance to survive.

Table 1

U.S. Sugar Sales for Domestic Food Use: Change from Previous Year, Fiscal 1987-2004

- Thousand short tons -



1987-2000 Average Increase: +151,000 tons/year

2001-2004 Average Decrease: -123,000 tons/year

Source: USDA, April 2004
* Based on overall allotment quantity.

Table 2

Summary of Support for Sugar Industry in Selected Countries, 2002

	Australia	Brazil[3]	China[4,5]	Colombia	Cuba	EU[6,7]	Guatemala	India[8]	Japan	Mexico	RSA	Thailand	Turke
TRANSPARENT SUPPORT													
Domestic Market Controls													
Production Quotas						✓							✓
Guaranteed Support Prices			✓			✓		✓	✓			✓	✓
Supply Controls								✓					
Market Sharing/Sales Quotas				✓			✓			✓	✓	✓	
Import Controls													
Import Quota			✓								✓		
Import Tariff		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Import Licenses			✓									✓	✓
Quality Restrictions							✓		✓				
Export Support													
Export Subsidies				✓		✓		✓					✓
Single Desk Selling	✓			✓	✓						✓		
NON-TRANSPARENT SUPPORT													
Direct Financial Aid													
State Ownership					✓					✓			✓
Income Support	✓	✓				✓			✓			✓	
Debt Financing[1]	✓	✓								✓	✓	✓	
Input Subsidies[2]								✓		✓	✓	✓	✓
Indirect Long Term Support													
R&D Subsidies								✓			✓		✓
Efficiency Programs	✓												
Ethanol Programs/Subsidies		✓		✓		✓						✓	
Consumer Demand Support					✓					✓			✓
Average Production, 2000-02 (ml mt, raw value)	4.9	19.3	7.9	2.3	3.8	18.0	1.8	19.9	0.8	5.1	2.7	5.8	2.3
Rank Among World Producers	8	2	4	13	9	3	16	1	24	7	11	6	12
Average Exports, 2000-02 (ml mt, raw value)[9]	4.5	9.5	0.4	0.9	3.0	5.7	1.2	0.1	-	0.7	1.1	3.0	0.4
Rank Among World Exporters	3	1	15	8	4	2	6	42	-	9	7	5	13
Domestic Wholesale Refined Sugar Price (cents/lb)[10]	13.5	8.1	16.9	21.1	0.1	30.4	18.0	12.7	65.4	25.6	20.9	11.8	27.9
Import Tariff Level (refined, ad valorem or equivalent)[11]	0%	18%	75%	20%	10%	164%	20%	68%	71%	172%	46%	96%	138%

Notes:

1. Includes low interest loans, interest rate subsidies, debt relief and debt rescheduling.
2. Includes crop pre-financing, irrigation provision, land maintenance and inventory financing.
3. Brazil provides direct subsidies to producers in the North/North East region only.
4. Chinese cane and beet prices are controlled at the provincial level.
5. State trading companies account for 70% of domestic sales in China.
6. The EU provides an income support subsidy to refiners of cane sugar.
7. The EU Commission provides directives on ethanol use, though these are not binding.
8. India provides a transport subsidy for exporters.
9. Japan is an importer of sugar only. It is the world's fourth largest importer of sugar, importing 1.6 million tonnes per annum on average between 2000 and 2002.
10. The Cuba wholesale price represents the heavily subsidised ration entitlement.
11. Ad valorem equivalents are based on average world price for 1999/00 to 2001/02. At times of low world prices, the EU also applies a safeguard duty in addition to the specific tariff.

Table 3
Potential U.S. Free Trade Agreement (FTA) Countries/Regions:
Sugar Production and Exports, 2001/02 - 2003/04 Average, and
Share of U.S. Raw Sugar Import Quota, 2003/04

Country	Production	Exports	U.S. TRQ Allocation
	-Metric Tons-		
North America			
Mexico	5,287,000	175,000	7,258
Canada	80,000	63,000	---
Caribbean[1]			
Barbados	40,000	37,000	7,371
Dominican Republic	482,000	185,000	185,335
Haiti	10,000	0	7,258
Jamaica	175,000	138,000	11,583
St. Kitts & Nevis	18,000	18,000	7,258
Trinidad & Tobago	91,000	59,000	7,371
Central America			
Costa Rica	385,000	155,000	15,796
El Salvador	476,000	255,000	27,379
Guatemala	1,922,000	1,327,000	50,546
Honduras	332,000	78,000	10,530
Nicaragua	361,000	179,000	22,114
CAFTA Total	**3,476,000**	**1,994,000**	**126,365**
Belize	110,000	96,000	11,583
Panama	165,000	55,000	30,538
North America Total[2]	9,934,000	2,820,000	401,920
South America			
Bolivia	393,000	116,000	8,424
Colombia	2,570,000	1,205,000	25,273
Ecuador	500,000	64,000	11,583
Peru	960,000	41,000	43,175
Andean Total	**4,423,000**	**1,426,000**	**88,455**
Argentina	1,633,000	206,000	45,281
Brazil	22,997,000	13,283,000	152,691
Guyana	326,000	315,000	12,636
Paraguay	110,000	21,000	7,258
Uruguay	140,000	21,000	7,258
South America Total	29,629,000	15,272,000	313,579
FTAA Total[2]	**39,563,000**	**18,092,000**	**715,499**
% of U.S. TRQ			***64.0%***
South Africa	2,667,000	1,367,000	24,221
Swaziland	542,000	216,000	16,850
SACU Total	**3,209,000**	**1,583,000**	**41,071**
Thailand	**6,230,000**	**5,019,000**	**14,743**
FTA Total[3]	**49,002,000**	**24,694,000**	**858,715**
% of U.S. TRQ			***76.9%***

1/ Excludes Cuba. 2/ North and South America, excluding United States and Cuba; includes CAFTA countries and Dominican Republic. 3/ FTA total less CAFTA and D.R.: 22,515,000 mt
Data Source: USDA/FAS, November 2003.

Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Terry Jones

2. Business Address: 780 Road 6

   Powell, WY 82435

3. Business Phone Number: 307-754-2378

4. Organization you represent: American Sugarbeet Growers Assoc.

5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:

   Farmed in Powell, WY raising sugarbeets for 33 years

   Attended WTO meetings in Geneva in May of 2003

   Attended WTO ministerial in Cancun in 2003

6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:

7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:

   President, American Sugarbeet Growers Association

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2002.

Name: Terry Jones

Address: 780 Rd 6, Powell, WY 82433

Telephone: 307-754-2378

Organization you represent: ______

American Sugarbeet Growers Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2002, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: None Amount: ______

Source: ______ Amount: ______

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2002, as well as the source and the amount of each grant or contract:

Source: None Amount: ______

Source: ______ Amount: ______

Please check here if this form is NOT applicable to you: ______

Signature: ______

** Rule XI, clause 2(g)(4) of the U. S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*